

Message Text

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PAGE 01 FRANKF 08331 161239Z

45

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 PA-01 PRS-01 L-03 H-02 DODE-00 AF-06

EA-07 IO-10 DOTE-00 /120 W
----- 053362

R 161155Z DEC 75

FM AMCONSUL FRANKFURT

TO SECSTATE WASHDC 2330

INFO AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMCONSUL DUSSELDORF

AMCONSUL STUTTGART

OECD PARIS 3390

USED BRUSSELS 1590

LIMITED OFFICIAL USE FRANKFURT 8331

E.O. 11652: NA

TAGS: EIND, EINV, GW

SUBJECT: DEUTSCHE BANK PLANS TO SELL DAIMLER BENZ SHARES ACQUIRED
IN EARLY 1975.

REFS: A. BONN 18624, DEC. 2, 1974; B. STUTTGART 1017, DEC. 2, 1974.

1. BEGIN LIMITED OFFICIAL USE. SUMMARY. DEUTSCHE BANK ANNOUNCED
LATE LAST WEEK PLANS TO SELL SOME 25 PERCENT OF DAIMLER BENZ SHARES
ACQUIRED FROM FLICK EARLIER THIS YEAR. TRANSACTION IS MULTISTAGE
AND INVOLVES ESTABLISHMENT OF NEW HOLDING COMPANY, SUBDIVIDED INTO
COMPONENTS FOR
BOTH SMALL AND INSTITUTIONAL INVESTORS; SECOND GROUP WILL BENEFIT
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PAGE 02 FRANKF 08331 161239Z

FROM AVOIDANCE OF CORPORATION TAX IF SHARES HELD FOR MORE THAN

ONE YEAR. ARRANGEMENT IS DESIGNED TO INSULATE DAIMLER BENZ FROM FOREIGN CONTROL; HOWEVER, DEUTSCHE BANK WOULD WELCOME FOREIGN INVESTORS. END SUMMARY.

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2. BEGIN UNCLASSIFIED. DEUTSCHE BANK ANNOUNCED DECEMBER 12 THAT IT PLANS TO SELL REMAINDER OF DAIMLER BENZ SHARES IT ACQUIRED FROM FRIEDRICH FLICK AG EARLIER THIS YEAR. AS APPROXIMATELY FOUR PERCENT OF THESE SHARES HAVE ALREADY BEEN PLACED, THIS ARRANGEMENT APPLIES TO 25.23 PERCENT OF DAIMLER BENZ SHARES OUTSTANDING. DEUTSCHE BANK'S OWN PARTICIPATION OF 28.5 PERCENT IN DAIMLER BENZ, WHICH THE BANK HAS HELD FOR SOME YEARS, IS UNAFFECTED.

3. TRANSACTION IS BEING EFFECTED THROUGH SEVERAL STAGES. AS FIRST STEP DEUTSCHE BANK IS ESTABLISHING MERCEDES AUTOMOBILE HOLDING AG, FRANKFURT (MAH), WITH CAPITALIZATION BACKED BY THE 25.23 PERCENT SHARE PARTICIPATION IN DAIMLER BENZ REFERRED TO ABOVE. ALTHOUGH SHARE VALUE SHOULD BE APPROXIMATELY DM300 MILLION, MAH'S ASSETS ARE BEING GIVEN BALANCE SHEET VALUATION OF DM1.8 BILLION, REPRESENTING, ON PASSIVE SIDE OF BALANCE SHEET, BASIC CAPITAL OF DM 300 MILLION AND RESERVE OF DM1.5 BILLION. DIVIDENDS RECEIVED FROM DAIMLER BENZ WILL BE DISTRIBUTED AMONGST MAH SHAREHOLDERS THE FOLLOWING YEAR; PENDING DISTRIBUTION THEY WILL BE INVESTED BY MAH AND PROFITS USED TO DEFRAY ITS OPERATING EXPENSES.

4. MAH SHARES WILL BE SOLD AS FOLLOWS: A. ONE HALF OF MAH SHARES (THAT IS, DM 150 MILLION) WILL BE SOLD TO GENERAL PUBLIC. EFFECTIVE DECEMBER 15, MAH SHARES AMOUNTING TO DM100 MILLION WILL BE SOLD TO GENERAL PUBLIC AT A RATE OF DM 305 PER EACH MAH SHARE WHICH HAS A NOMINAL VALUE OF DM50. THIS REPRESENTS A MAH QUOTATION OF APPROXIMATELY 12 PERCENT BELOW DAIMLER BENZ QUOTATIONS. PRESS REPORTS HEAVY INVESTOR INTEREST IN THESE SHARES AND SWITCHING OUT OF DAIMLER BENZ SHARES INTO MAH SHARES.

B. ALSO, DEUTSCHE BANK WILL OFFER DM50 MILLION IN OPTIONAL LOAN BONDS FOR SALE IN SPRING 1976, WITH MAH AND DEUTSCHE BANK SHAREHOLDERS HAVING FIRST RIGHTS OF PURCHASE.

C. SECOND HALF OF MAH SHARES WILL BE DIVIDED INTO TWO EQUAL
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PAGE 03 FRANKF 08331 161239Z

"SUB-HOLDINGS," NAMED STERN- AND STELLA-AUTOMOBIL BETEILIGUNGS GMBH, AND EACH "SUB-HOLDING" WILL BE DIVIDED INTO FOUR EQUAL SHARE PACKETS. THESE PACKETS ARE DESIGNED FOR INSTITUTIONAL INVESTORS AND ARE VALUED AT DM18.75 MILLION EACH. THIS ARRANGEMENT WILL ALLOW LARGE INVESTORS TO TAKE ADVANTAGE OF SO-CALLED "SCHACHTEL PRIVILEGE" (THAT IS, 25 PERCENT PARTICIPATION IN A CORPORATION) WHICH PERMITS AVOIDANCE OF CORPORATION TAX IF SHARES ARE HELD FOR MORE THAN ONE YEAR. END UNCLASSIFIED.

5. BEGIN LIMITED OFFICIAL USE. WILFRIED GUTH, DEUTSCHE BANK BOARD MEMBER WHO DEVELOPED PLANS FOR MAH, TELLS US THAT ARRANGEMENTS FOR SALE OF DAIMLER BENZ SHARES ARE DESIGNED TO ELIMINATE ANY CHANCE THAT AN OPEC INVESTOR MIGHT ACQUIRE A DOMINANT POSITION IN THIS IMPORTANT GERMAN FIRM. DEUTSCHE BANK KEPT GERMAN GOVERNMENT INFORMED DURING DEVELOPMENT OF ITS PLANS TO DISPOSE OF DAIMLER BENZ SHARES AND GOVERNMENT IS SATISFIED WITH ARRANGEMENTS. EVEN IF AN OPEC INVESTOR CORNERED AND DOMINATED POSITION IN MAH, DAIMLER BENZ WOULD STILL BE INSULATED FROM THE FOREIGN INVESTOR, SINCE MAH SHAREHOLDERS DO NOT HAVE VOTING RIGHTS IN DAIMLER BENZ. GUTH SAYS THAT, IN FACT, HE REGARDS LIKELIHOOD THAT ANY OPEC COUNTRY MIGHT TAKE A DOMINANT POSITION IN A GERMAN FIRM AND EXERCISE CONTROL AS VIRTUALLY NIL. KUWAITI AND SAUDI INVESTORS HAVE GONE TO GREAT LENGTHS TO ASSURE DEUTSCHE BANK THAT THEY DO NOT INTEND TO ACT AS OTHER THAN PORTFOLIO INVESTORS IN GERMAN INDUSTRY. IRAN HAS ALREADY BEEN REBUFFED RE DAIMLER BENZ AND WILL BE LOATH TO RISK ANOTHER REJECTION. (KUWAIT ACQUIRED 14 PERCENT PARTICIPATION IN DAIMLER BENZ LAST YEAR. IRAN'S ATTEMPT TO BUY FLICK'S 29 PERCENT PARTICIPATION IN DAIMLER BENZ RESULTED IN SOME CONCERN IN GERMANY OF FOREIGN TAKEOVERS OF KEY INDUSTRIES AND LED TO DEUTSCHE BANK PURCHASE OF THE FLICK PARTICIPATION, WHICH IS NOW BEING RETURNED TO MARKET.)

5. GUTH EXPECTS TO COMPLETE ARRANGEMENTS FOR SALE OF EIGHT PACKETS, REPRESENTING PARTICIPATIONS IN STERN AND STELLA "SUB-HOLDINGS," BY DECEMBER 17. WOULD BE PLEASED TO SELL ONE PACKET TO AN OPEC INVESTOR AS DEMONSTRATION THAT GERMANY IS NOT HOSTILE TO INVESTORS FROM THE MIDDLE EAST. HE IS ALSO LOOKING INTO POSSIBILITY THAT PACKETS IN STERN AND STELLA MAY ALSO BE SUB-DIVIDED AS MEANS TO CARRY FARTHER AVOIDANCE OF GERMAN TAX. END LIMITED OFFICIAL USE. LEHMANN
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PAGE 04 FRANKF 08331 161239Z

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